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AMCONSUL SHANGHAI
AMCONSUL CHENGDU

CONFIDENTIAL SECTION 01 OF 04 BEIJING 029708

DEPT PLEASE PASS TO HOUSE WAYS AND MEANS COMMITTEE

E.O. 12356: DECL:OADR
TAGS: PREL, ETRD, CH, US
SUBJECT: CODEL GIBBONS AUGUST 17 MEETING WITH NATIONAL
PEOPLE'S CONGRESS STANDING COMMITTEE VICE CHAIRMAN
TIAN JIYUN

1. CONFIDENTIAL - ENTIRE TEXT.

2. SUMMARY: CONGRESSMAN GIBBONS POLITELY BUT FIRMLY INFORMED VICE CHAIRMAN TIAN JIYUN THAT CHINA'S CONTINUED ACCESS TO MFN BENEFITS DEPENDED ON CHINESE CONFIDENTIAL

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MOVEMENT ON HUMAN RIGHTS AND PROLIFERATION ISSUES.
TIAN PREDICTED THAT ECONOMIC AND LEGAL REFORMS WOULD
NARROW THE "GAP" BETWEEN THE UNITED STATES AND CHINA
ON HUMAN RIGHTS IN TIME, AND IMPLIED THAT CHINESE
CONCERN FOR STABILITY PREVENTED FASTER PROGRESS.
TIAN STATED THAT CHINA OPPOSED THE USE OF MFN AS A
WEAPON, AND SAID REVOKING MFN WOULD RESULT IN THE
UNITED STATES BEING FROZEN OUT OF CHINESE MARKETS.
TIAN CALLED ON AMERICANS TO FOCUS ON "POSITIVE"
DIALOGUE, AND TO REJECT NEGATIVE MEASURES, SAYING IT
WAS "UNTHINKABLE" THAT THE UNITED STATES AND CHINA
WOULD RETURN TO ISOLATION OF THE PERIOD BEFORE "NIXON
OPENED CHINA." END SUMMARY.

3. REPRESENTATIVE SAM M. GIBBONS (D., FL) CHAIRMAN OF

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THE HOUSE WAYS AND MEANS TRADE SUBCOMMITTEE, JOINED BY SUB COMMITTEE MEMBERS REPRESENTATIVES WILLIAM C. COYNE (D., PA), LEWIS PAYNE (D., VA), MICHAEL R. MCNULTY (D., NY), E. CLAY SHAW (R., FL), WILLIAM J. JEFFERSON (D., LA), WILLIAM M. THOMAS (R., CA) AND WALLY HERGER (R., CA) AND ACCOMPANYING STAFF MEMBERS MET WITH NATIONAL PEOPLE'S CONGRESS (NPC) STANDING COMMITTEE VICE CHAIRMAN TIAN JIYUN ON AUGUST 17. ACCOMPANYING THE CONGRESSMEN WERE AMBASSADOR ROY, POLOFF ALOISI (NOTETAKER) AND EMBASSY INTERPRETER BROWN. ACCOMPANYING TIAN WERE TONG ZHIGUANG, MEMBER OF THE NPC FOREIGN AFFAIRS COMMITTEE AND WANG SHUMING, VICE CHAIRMAN OF THE NPC LEGAL AFFAIRS COMMITTEE.

4. TIAN OPENED THE MEETING BY STATING THAT DIFFERENCES IN SYSTEMS AND IN LEVELS OF ECONOMIC AND
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CULTURAL DEVELOPMENT NATURALLY LED TO DIFFERENCES OF OPINION BETWEEN THE UNITED STATES AND CHINA ON SOME ISSUES, BUT THAT THESE DIFFERENCES WERE SMALL COMPARED TO THE BROAD AND IMPORTANT INTERESTS SHARED BY THE TWO NATIONS. INTRODUCING A THEME HE WOULD RETURN TO LATER, TIAN CALLED ON HIS GUESTS TO LOOK FOR COMMON GROUND, SET ASIDE DIFFERENCES, AND CONCENTRATE ON JOINTLY IMPROVING RELATIONS BETWEEN THE TWO NATIONS.

5. CONGRESSMAN GIBBONS COMMENDED THE CHINESE GOVERNMENT AND PEOPLE FOR THEIR TREMENDOUS PROGRESS IN THE YEARS SINCE HIS FIRST VISIT, SOON AFTER THE END OF THE CULTURAL REVOLUTION. GIBBONS SAID THAT HE WANTED THE UNITED STATES AND CHINA TO BE ECONOMIC, POLITICAL AND SOCIAL FRIENDS. DIFFERENCES, HE HELD, SHOULD BE DISCUSSED FREELY AND FRANKLY, BUT WITH "A GREAT DEAL OF RESPECT."

6. GIBBONS SAID HE KNEW THE CHINESE WERE TIRED OF HEARING ABOUT MFN, BUT REPEATED A PHRASE HE HAD USED EARLIER IN HIS VISIT: "MFN WILL BE WITH US EVEN AFTER I DIE, AND THAT WON'T BE FOR A LONG TIME." GIBBONS EXPLAINED THAT THE ISSUE OF MFN, IN THE U.S. CONGRESS, "HAD ITS OWN SCHEDULE" AND A MEANING THAT HAD CHANGED OVER THE YEARS. HE SAID THE REASON WHY HE WAS STRESSING MFN WAS BECAUSE THE OUTCOME OF NEXT YEAR'S DEBATE IS NOT A FORGONE CONCLUSION. HE TOLD TIAN HE THOUGHT THAT "IF A VOTE ON MFN WERE TAKEN TODAY, CONGRESS WOULD PROBABLY VOTE AGAINST EXTENSION." GIBBONS SAID HE REGRETTED THIS, AS HE HAD BEEN A PROONENT OF NORMALIZING RELATIONS WITH CHINA FOR A
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LONG TIME.

7. GIBBONS EXPLAINED THAT, WHEN EACH MEMBER OF CONGRESS VOTES ON MFN, HE OR SHE WAS VOTING ACCORDING TO A PERSONAL AGENDA. FOR SOME, HUMAN RIGHTS ARE MOST IMPORTANT, FOR OTHERS, TECHNICAL MATTERS OF TRADE OR QUESTIONS OF PROLIFERATION. GIBBONS TOLD TIAN THAT, IN HIS VIEW, THE TWO BIGGEST ISSUES FOR CHINA WERE HUMAN RIGHTS AND PROLIFERATION, AND IT IS IN OUR MUTUAL INTEREST TO TRY TO "PUT THESE ISSUES BEHIND US."

8. TIAN REPLIED, SAYING HE WANTED TO STRESS THAT CHINA ATTACHES GREAT IMPORTANCE TO IMPROVING BILATERAL RELATIONS AS A CONTRIBUTION TOWARD WORLD PEACE AND STABILITY. HE HELD THAT RECENT "DRASTIC CHANGES" IN THE WORLD, SUCH AS THE COLLAPSE OF THE SOVIET UNION, HAD NOT REDUCED THE IMPORTANCE OF THE U.S.-CHINA RELATIONSHIP AND THAT CHINA WAS WILLING TO EXPAND AND

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INFO AIT TAIPEI 2063
AMCONSUL HONG KONG
AMCONSUL SHENYANG
AMCONSUL GUANGZHOU
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C O N F I D E N T I A L SECTION 02 OF 04 BEIJING 029708

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FURTHER DEVELOP RELATIONS ON THE BASIS OF THE THREE
JOINT COMMUNIQUES. CHINA'S GOAL WAS TO INCREASE
MUTUAL TRUST, SEEK FURTHER COOPERATION AND AVOID
CONFRONTATION WITH THE UNITED STATES; IT IS CHINA'S
VIEW THAT BOTH SIDES HAD RECENTLY TAKEN STEPS TO
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IMPROVE RELATIONS.

9. TIAN TOLD HIS GUESTS THAT THE NPC WAS WILLING TO
MAKE CONTRIBUTIONS TOWARD BETTER TIES BY INVITING MORE
MEMBERS OF CONGRESS, TO INCLUDE CONGRESSIONAL LEADERS,
INCLUDING THE SPEAKER AND THE VICE PRESIDENT AS
PRESIDENT OF THE SENATE, TO VISIT CHINA. HE SAID HE
HOPED THAT THE UNITED STATES WOULD INVITE MORE NPC
MEMBERS TO VISIT THE UNITED STATES. HE HELD THAT SUCH
VISITS GREATLY DEEPENED MUTUAL UNDERSTANDING. HE SAID
HE HAD BEEN DEEPLY IMPRESSED BY THE UNITED STATES ON A
VISIT IN 1988 AT THE INVITATION OF THEN-VICE PRESIDENT
BUSH, AND HAD WRITTEN A REPORT AFTER HIS RETURN.

10. TIAN THEN TURNED TO HUMAN RIGHTS. HE SAID HE
PERSONALLY DISAGREES WITH THE VIEW THAT "CHINA HAS NO
PROBLEM AT ALL, OR THAT CHINA HAS NEVER HAD PROBLEMS,"
BUT THAT "AS WE PROCEED WITH ECONOMIC AND SOCIAL
DEVELOPMENT AND CONTINUE TO PERFECT OUR LEGAL SYSTEM,
SUCH PROBLEMS WOULD BE GREATLY REDUCED." HE ALSO HELD
THAT THE "GAP" BETWEEN THE VIEWS OF HUMAN RIGHTS IN
THE TWO NATIONS WOULD ALSO BE GREATLY NARROWED OVER
TIME AS A RESULT.

11. TIAN EXPLAINED THAT BECAUSE OF CHINA'S HUGE
POPULATION THE NATION MUST ATTACH GREAT IMPORTANCE TO
STABILITY. HE ARGUED THAT, IF CHINA DESCENDS INTO
CHAOS, "THERE IS NO NEED TO SPEAK OF 100 MILLION
REFUGEES LEAVING THE COUNTRY, A MERE 10 MILLION WOULD
(BE SUFFICIENT TO) DISRUPT THE WORLD." TIAN ARGUED
THAT WITHOUT STABILITY CHINA CANNOT GUARANTEE ECONOMIC
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DEVELOPMENT; WITHOUT ECONOMIC DEVELOPMENT IT CANNOT
IMPROVE LIVING STANDARDS; WITHOUT HIGHER LIVING
STANDARDS THERE WOULD BE REBELLION; IF THERE IS
REBELLION THERE WILL BE "MAJOR CHAOS" (DA LUAN). THIS
"CHAOS," SAID TIAN, WOULD BE MUCH WORSE THAT THAT IN
RUSSIA TODAY. HE HOPED THAT THE UNITED STATES
UNDERSTOOD THIS, "AND VIEWED CHINA FROM THIS ANGLE."
WRAPPING UP THE HUMAN RIGHTS QUESTION, TIAN AGAIN
STRESSED THAT THAT ECONOMIC AND SOCIAL DEVELOPMENT,
CONTINUED OPENING AND REFORM, AND THE PERFECTION OF
THE LEGAL SYSTEM WOULD BRING U.S. AND CHINESE VIEWS OF
HUMAN RIGHTS EVER CLOSER. HE SAID HE HOPED THAT
AMERICANS UNDERSTOOD THE GREAT EFFORTS THAT THE
CHINESE WERE MAKING IN THIS AREA.

12. CONGRESSMAN GIBBONS TOLD TIAN THAT ONE PROBLEM
BLOCKING BETTER RELATIONS WAS THE LACK OF RELIABLE
INFORMATION, AND THAT GREATER REFORM AND OPENNESS,
WHICH CHINA WAS NOW UNDERTAKING, SHOULD HELP ALLEVIATE
THIS. TIAN HEARTILY AGREED. GIBBONS THEN SAID THAT
THE LACK OF RELIABLE INFORMATION WAS ONE CAUSE OF
CURRENT PROBLEMS; WHILE CHINA WAS MUCH MORE OPEN THAN
IT HAD BEEN, IT WAS "STILL NOT AS OPEN AS WE WOULD
HOPE." HE TOLD TIAN THAT THERE WAS A GREAT DEAL OF
SUSPICION IN CONGRESS OVER WHAT WAS CALLED
"TIANANMEN." GIBBONS SAID THAT THE UNITED STATES HAD
NO DESIRE TO INSPECT CHINA'S JAILS, BUT THAT A CHINESE
INVITATION TO AN ORGANIZATION LIKE THE INTERNATIONAL
RED CROSS TO UNDERTAKE AN OPEN AND IMPARTIAL
INVESTIGATION COULD PUT SUS
PITIONS TO REST.

13. TURNING TO THE QUESTION OF NUCLEAR PROLIFERATION,
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TIAN TOLD GIBBONS THAT CHINA "ATTACHED GREAT
IMPORTANCE TO THE NPT AND WAS ABSOLUTELY NOT IN FAVOR
OF NUCLEAR PROLIFERATION;" IN ADDITION, "CHINA
ABSOLUTELY DOES NOT ENGAGE IN NUCLEAR PROLIFERATION,"
AS "SUCH PROLIFERATION WOULD NOT BENEFIT WORLD PEACE
AND IN THE END IT WOULD BRING PROBLEMS UPON
OURSELVES." TIAN URGED THE CONGRESSMEN NOT TO RELY ON
MISTAKEN NEWS REPORTS OR INCORRECT INTELLIGENCE IN
CONSIDERING PROLIFERATION ISSUES INVOLVING CHINA. HE
SAID THAT THE "CARGO SHIP INCIDENT" (THE "YIN HE"
INCIDENT) WAS AN EXAMPLE OF THE USE OF INCORRECT
INFORMATION.

14. RETURNING TO THE IMPORTANCE OF GOOD BILATERAL

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TIES, TIAN SAID THE UNITED STATES AND CHINA HAVE AN "UNDENIABLE DUTY" TO CONTRIBUTE TO WORLD PEACE, STABILITY AND DEVELOPMENT; THE TWO NATIONS SHOULD STRESS COOPERATION, INCLUDING ECONOMIC COOPERATION.

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C O N F I D E N T I A L SECTION 03 OF 04 BEIJING 029708

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TIAN TOLD GIBBONS THAT DEMAND FOR AMERICAN TECHNOLOGY AND MANAGERIAL SKILLS WILL BE ESPECIALLY STRONG AS CHINA DEVELOPS. TIAN HOPED THAT MORE AND MORE AMERICAN ENTREPRENEURS AND BUSINESSMEN WOULD OPEN OFFICES AND DO BUSINESS WITH CHINA, EXPLAINING THAT

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RESTRICTIONS ON TRADE WITH THE UNITED STATES WOULD BE LIFTED "STEP BY STEP" AS ECONOMIC REFORMS UNFOLDED AND THE SYSTEM OF FOREIGN TRADE DEVELOPED. HE STATED THAT CHINA WOULD FAITHFULLY IMPLEMENT THE MEMORANDUM OF UNDERSTANDING ON MARKET ACCESS.

15. CONGRESSMAN GIBBONS THEN YIELDED THE FLOOR TO CONGRESSMAN SHAW. SHAW TOLD TIAN THAT CHINA WOULD BE AIDED BY ALLOWING AMERICAN SERVICES FIRMS -- BANKS, LAW OFFICES, INSURANCE OFFICES, AND ACCOUNTING FIRMS -- BETTER ACCESS TO THE CHINA MARKET. THIS WOULD STIMULATE EVEN MORE AMERICAN INVESTMENT, AS INVESTORS WOULD BE MORE COMFORTABLE IN OPERATING IN CHINA WITH A STRONGER AMERICAN SERVICES PRESENCE.

16. TIAN RESPONDED THAT THE GOAL OF "ESTABLISHING A SOCIALIST MARKET ECONOMY" HAD BEEN ENSHRINED IN THE CHINESE CONSTITUTION LAST SPRING BY THE NPC; THE TREND TOWARD GREATER OPENNESS WAS THE "WILL OF THE PEOPLE" AND WOULD NOT CHANGE. IN THE COURSE OF REFORM, CHINA HAD EXPERIMENTED IN THE SERVICES AREA. HE THEN DESCRIBED HOW LETTING FOREIGN MANAGEMENT FIRMS INTO THE CHINESE HOTEL INDUSTRY HAD INCREASED EFFICIENCY OF ALL CHINESE HOTELS, EVEN THOSE THAT WERE NOT JOINT VENTURES. HE CALLED FOR SIMILAR INJECTIONS OF EXPERTISE "EVEN IN THE MANAGEMENT OF AIRPORTS." SERVICES, HE TOLD CONGRESSMAN SHAW, WOULD BE INCLUDED TOO.

17. PICKING UP ON TIAN'S POINT ON HOTELS, SHAW NOTED THAT ON HIS FIRST VISIT TO CHINA, IN 1982, THE BEIJING CONFIDENTIAL

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HOTEL WAS PERHAPS THE BEST IN CHINA. HE SAID HE HAD TRAVELED EXTENSIVELY IN CHINA SINCE, AND THAT CHINA NOW HAD SOME OF THE BEST HOTELS IN THE WORLD. TIAN AGREED, AND SAID THAT CHINA MUST ADMIT ITS OWN BACKWARDNESS IN CERTAIN FIELDS, AND BE WILLING TO LEARN FROM THE OUTSIDE, IN ORDER TO IMPROVE. HE QUOTED A CHINESE SAYING TO THIS EFFECT. TIAN SAID THAT CHINA NEEDED THE UNITED STATES' HELP IN ALL FIELDS, AND HOPED THAT FUTURE COOPERATION WOULD NOT BE IMPEDED BECAUSE OF "PARTICULAR ISSUES."

18. CONGRESSMAN GIBBONS COMPLIMENTED CHINA'S RICH CULTURAL TRADITION, NOTING THAT THERE WERE SOME FIELDS IN WHICH CHINA NEED NOT BE MODEST. HE SAID THAT THE AMERICAN PEOPLE HELD CHINA'S CULTURE AND ITS PEOPLE IN

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HIGH ESTEEM.

19. CONGRESSMAN HERGER, NOTING TIAN'S BACKGROUND IN AGRICULTURE, MENTIONED THAT HE REPRESENTED AN AGRICULTURAL AREA WHICH PRODUCED OVER 200 TYPES OF PRODUCTS FOR EXPORT. HE MENTIONED THE LARGE U.S. TRADE DEFICIT WITH CHINA, PERHAPS AS HIGH AS USD 24 BILLION THIS YEAR, AND CALLED ON CHINA TO REDUCE TARIFFS AND ADOPT MORE SCIENTIFICALLY-SOUND SANITARY REGULATIONS TO PERMIT A GREAT INCREASE THE IMPORT OF U.S. AGRICULTURAL PRODUCTS. HE NOTED THAT AMERICAN STORES WERE FILLED WITH CHINESE PRODUCTS, AND SAID HE WOULD LIKE TO SEE AMERICAN FOOD PRODUCTS FILL CHINESE SHOPS.

20. TIAN REPLIED THAT CHINA IMPORTED MUCH U.S.
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WHEAT. HE DISPUTED THE FACT THAT THE UNITED STATES HAD A TRADE DEFICIT WITH CHINA. HE SAID THAT CHINA, NONETHELESS, WAS AND WOULD CONTINUE REDUCING TARIFFS, AND WOULD GIVE "POSITIVE CONSIDERATION" TO BUYING MORE AMERICAN AGRICULTURAL AND OTHER PRODUCTS. HE SAID THAT THIS WAS NOT TO "BALANCE" TRADE, AND HE PREDICTED THAT THE UNITED STATES' "DEFICIT" NOW MAY WELL TURN INTO A LONG-TERM CHINESE DEFICIT IN THE FUTURE.

21. TIAN THEN TURNED TO AMBASSADOR ROY, AND SAID THAT HE WANTED TO BE VERY FRANK ON ONE ISSUE. HE SAID THAT:

(QUOTE)

CHINA DOES NOT APPROVE OF THE UNITED STATES USING MFN AS A WEAPON. IF YOU USE THAT WEAPON, IT WILL BE BAD FOR CHINA; CHINA WILL INCUR LOSSES. BUT THE UNITED STATES WILL ALSO INCUR LOSSES. FROM A LONG TERM

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PERSPECTIVE, IT WILL BE EVEN MORE HARMFUL TO THE
UNITED STATES. IF MFN IS REVOKED, TRADE WILL DECLINE;
THE U.S. PRESENCE IN THE MARKET WILL GO DOWN. IN THE
END, IT WOULD EVEN BE FORCED OUT OF THE CHINA MARKET.

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(END QUOTE)

22. TIAN SAID IT WAS "UNTHINKABLE" FOR TWO SUCH LARGE
NATIONS, RICH IN RESOURCES, ONE DEVELOPED, ONE
DEVELOPING, NOT TO HAVE ECONOMIC RELATIONS, BUT
RECALLED THAT THE TWO HAD BEEN ISOLATED IN THE PERIOD
BEFORE "NIXON OPENED CHINA" IN 1972. HE HOPED THAT
THE DOOR WOULD NEVER BE CLOSED AGAIN. TIAN SAID THAT
BILATERAL COOPERATION SINCE 1972, AND CHINA'S
DEVELOPMENT, HAD ALLOWED CHINA AND THE UNITED STATES
TO DEVELOP A "COMMON LANGUAGE." HE CALLED FOR MORE
CONTACTS AND EXCHANGES THROUGH DIFFERENT CHANNELS AND
AT DIFFERENT LEVELS.

23. COMMENT: TIAN REPEATEDLY RETURNED TO THE POINT
THAT THE UNITED STATES AND CHINA SHOULD COOPERATE FOR

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THE GOOD OF BOTH NATIONS AND THE WORLD. HIS CAUTION AGAINST USING MFN AS A WEAPON DID NOT DETRACT SIGNIFICANTLY FROM THE OVERALL POSITIVE TONE OF THE MEETING, BUT HIS METHOD OF PRESENTING THESE THOUGHTS (DIRECTING THEM EXPLICITLY AT THE AMBASSADOR) SIGNALLED THAT THE POINT WAS IMPORTANT FOR THE CHINESE SIDE.
END COMMENT.

24. THIS MESSAGE WAS CLEARED BY CODEL GIBBONS.
ROY

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*** Current Handling Restrictions *** n/a
*** Current Classification *** CONFIDENTIAL